

HOUSE BILL 3041

By Sontany

AN ACT to amend Tennessee Code Annotated, Title 45,
relative to computing credit card interest rates and
penalty fees.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 45, Chapter 2, Part 1904, is amended
by adding the following language to the end of subsection (b):

If a cardholder fails to repay an extension of credit in accordance with the terms of a
credit card plan, and a bank determines to apply a penalty rate, such penalty rate shall
not exceed seven (7) percentage points above the interest rate that was in effect with
respect to such account on the date immediately preceding the first such penalty rate for
such account.

SECTION 2. Tennessee Code Annotated, Section 45-2-1905, is amended by deleting
the present language in its entirety and by adding the following language:

§ 45-2-1905.

If the agreement governing the credit card plan so provides, the rate or rates of
interest under the plan may vary in accordance with a schedule or formula, and/or upon
the happening of any event or circumstance specified in the agreement, including, but
not limited to, the failure of the cardholder to perform in accordance with the terms of the
agreement. If a bank increases the periodic interest rate applicable to an extension of
credit under the agreement, such increased rate shall apply only to extensions of credit
made on and after the date of such increase under the agreement, and any extension of
credit under such account made before the date of such increase shall continue to incur
interest at the rate that was in effect on the date prior to the date of the increase.

SECTION 3. This act shall take effect July 1, 2008, the public welfare requiring it.